

NEWS RELEASE



STATE OF ALABAMA
Department of Industrial
Relations
News For Immediate Release
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Increased Worker Protection will Result from New Legislation

MONTGOMERY, ALABAMA, March 9, 2006 Yesterday the Alabama Legislature passed a bill to provide state registration for companies commonly known as staff leasing, or professional employer organizations (PEOs), which is the preferred industry term. These companies become the off-site employer of record for their clients.

Oversight and registration of PEOs will be provided by the Alabama Department of Industrial Relations (DIR) which administers the unemployment insurance and workers' compensation programs.

“The purpose of requiring oversight is to provide a safety net for Alabama workers in terms of workers' compensation and unemployment compensation,” says Phyllis Kennedy, director of the Department of Industrial Relations. “Most PEOs are law-abiding and provide a great service, especially to small business, but a rare unscrupulous firm could collect money from a business and then not pay withholding taxes and premiums for unemployment insurance, workers' compensation, health insurance, and other benefits. Lack of oversight in this industry also hurts business owners who abide by the state and federal laws.”

The new legislation will require all PEOs to register with the state, including providing a list of all their client companies. It allows DIR to receive securities or guarantees protecting payments of unemployment compensation taxes and workers' compensation expenses. It also authorizes DIR to perform investigations, audits, or reviews of any registered professional employer organization. Civil penalties may be assessed for failure to comply.

“This legislation has been four years in the making and resulted from outstanding cooperation from the PEO industry,” says Kennedy.

The bill was sponsored in the House by Representative Frank McDaniel (D- Albertville) and in the Senate by Senator Larry Means (D- Attala). It is awaiting the signature of Governor Bob Riley.

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Industrial Relations is an umbrella organization of state government which administers: the State Employment Service, Unemployment Insurance, Workers' Compensation, and Labor Market Information. Smaller programs also administered include Abandoned Mine Land Reclamation, Mine Safety and Inspection, and Surface Mining of Non-Fuel Minerals. For more information on DIR visit the Web site: <http://dir.alabama.gov>.